Canadians: Where to Invest $10,000 for the Next 10 Years

Description

The coronavirus crisis is a socio-economic disaster that's made it ridiculously difficult to gauge the intrinsic value of many stocks. While there's always some degree of uncertainty to be expected when investing in the markets, the coronavirus has created an environment where even some managers lack the confidence to release forward-looking guidance.

It's no longer uncommon to see forecasts and guidance being pulled, as the intermediate-term trajectory of many firms largely depends on what's going to happen next with this insidious coronavirus.

Canadians: Uncertain times call for a longer-term mindset

In a way, the fate of many firms is in the hands of an exogenous binary event. If an effective vaccine is created, and the coronavirus is eradicated sooner rather than later, the economy will have a chance to heal, and top- and bottom-line numbers of many firms could be far better than feared. On the flip side, if this pandemic drags on into 2021 and beyond, the economy could stand to be ravaged further, and the aggregate earnings could flop with a recovery that could take years.

That's left many sell-side analysts in a tight spot. They're forced to come up with year-ahead forecasts and 2020 price targets that will likely be subject to a higher degree of error. Since their job depends on producing forward-looking guidance regardless of their confidence level, I suspect a record number of revisions over the next year, with upgrades and downgrades happening after a stock has already moved. As such, Canadian investors would be wise to pay less merit to sell-side analyst price targets and focus on businesses that everybody on the Street may be too bearish on.

You don't need to be a sell-side analyst to bag incredible bargains in this highly uncertain market.

What you do need is an extremely long-term horizon, a contrarian mindset and an ability to spot opportunities within stocks that already have a worst-case scenario baked into the share price. That's how to invest prudently in the midst of this humanitarian and economic tragedy that is the COVID-19 pandemic.

A battered stock that's likely overswung to the downside

Consider shares of **H&R REIT** (TSX:HR.UN), a diversified Canadian real estate investment trust that's been severely battered amid the coronavirus crisis. Shares of HR.UN lost over 63% of their value in just a few weeks. If you're one of many income-oriented Canadians who was unfortunate enough to be invested in HR.UN back in February, your portfolio took a massive hit, and the crash was so violent and sudden that it was nearly impossible to get out of the way.

Given H&R has a considerable amount of exposure to the hardest-hit real estate sub-industries in retail and office real estate, it's not a mystery as to why Canadian investors were quick to ditch H&R REIT with the intention of asking questions later. While there's no question that H&R REIT is in a bad spot, I think that the damage to shares has been overblown beyond proportion.

Office and retail real estate properties are arguably the last place you want to be in this pandemic.

Most of H&R REIT's offices have been emptied, as firms opt to work primarily from home. Heck, many employees won't be returning to the office, even once this pandemic is over. That means longer-term vacancy rates could rise, and that does not bode well for the sustainability of H&R REIT's distribution, which was recently decreased such that shares now yield 7.3%.

With COVID-19-induced lockdowns causing various brick-and-mortar retailers to be deserted, H&R REIT is facing pressure from all ends, as it chases various illiquid tenants for their monthly rent.

Foolish takeaway for Canadian investors

For an office and retail REIT like H&R REIT, the situation seems dire. But the stock price suggests that neither office nor retail will be the same again, which, while true to a certain extent, does not seem to consider the upside in a return to normalcy.

Any permanent damage to office or retail demand, I believe, will be far milder than the recent devastation to H&R REIT's share price would suggest. As such, I find shares to be an incredible value for longer-term thinkers seeking deep value and couldn't care less about near- to medium-term fluctuations.

Stay hungry. Stay Foolish.

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